

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

April 23, 2021

3:33 p.m.

MEMBERS PRESENT

Senator Joshua Revak, Chair
Senator Peter Micciche, Vice Chair
Senator Natasha von Imhof
Senator Jesse Kiehl

MEMBERS ABSENT

Senator Click Bishop
Senator Gary Stevens
Senator Scott Kawasaki

COMMITTEE CALENDAR

HOUSE BILL NO. 115 AM

"An Act relating to aquatic farming and hatchery site leases; and requiring the director of the division of lands to provide the legislature with an annual report relating to aquatic farming and hatchery site leases."

- HEARD & HELD

SENATE BILL NO. 44

"An Act requiring the Board of Fisheries to prioritize personal use fisheries when implementing fishing restrictions to achieve a management goal."

- HEARD & HELD

PRESENTATION: SUSITNA WATANA HYDROELECTRIC PROJECT

- HEARD

HOUSE BILL NO. 10

"An Act relating to the Funter Bay marine park unit of the state park system; relating to protection of the social and historical significance of the Unangax cemetery located in Funter Bay; providing for the amendment of the management plan for the

Funter Bay marine park unit; and providing for an effective date."

- PENDING REFERRAL

PREVIOUS COMMITTEE ACTION

BILL: HB 115

SHORT TITLE: AQUATIC FARMING & HATCHERY SITE LEASES

SPONSOR(s): REPRESENTATIVE(s) STORY

02/24/21	(H)	READ THE FIRST TIME - REFERRALS
02/24/21	(H)	FSH, RES
03/04/21	(H)	FSH AT 11:00 AM GRUENBERG 120
03/04/21	(H)	Heard & Held
03/04/21	(H)	MINUTE(FSH)
03/09/21	(H)	FSH AT 11:00 AM GRUENBERG 120
03/09/21	(H)	Moved HB 115 Out of Committee
03/09/21	(H)	MINUTE(FSH)
03/10/21	(H)	FSH RPT 7DP
03/10/21	(H)	DP: VANCE, STUTES, STORY, MCCABE, KREISS-TOMKINS, ORTIZ, TARR
03/19/21	(H)	RES AT 1:00 PM BARNES 124
03/19/21	(H)	Heard & Held
03/19/21	(H)	MINUTE(RES)
03/22/21	(H)	RES AT 1:00 PM BARNES 124
03/22/21	(H)	Moved HB 115 Out of Committee
03/22/21	(H)	MINUTE(RES)
03/24/21	(H)	RES RPT 4DP 3NR
03/24/21	(H)	DP: SCHRAGE, GILLHAM, HANNAN, PATKOTAK
03/24/21	(H)	NR: RAUSCHER, HOPKINS, CRONK
03/31/21	(H)	TRANSMITTED TO (S)
03/31/21	(H)	VERSION: HB 115 AM
04/07/21	(S)	READ THE FIRST TIME - REFERRALS
04/07/21	(S)	RES
04/23/21	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 44

SHORT TITLE: PERSONAL USE FISHING PRIORITY

SPONSOR(s): SENATOR(s) KAWASAKI

01/25/21	(S)	PREFILE RELEASED 1/15/21
01/25/21	(S)	READ THE FIRST TIME - REFERRALS
01/25/21	(S)	RES, FIN
04/23/21	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE ANDI STORY
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 115.

GREG SMITH, Staff
Representative Andi Story
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the changes in the Senate committee substitute for HB 115.

HEATHER MCCARTY, Chair
Alaska Mariculture Task Force (AMTF)
Juneau, Alaska

POSITION STATEMENT: Testified on HB 115 by invitation.

ERIC WYATT, President
Alaska Shellfish Growers Association (ASGA)
Token Cove, Alaska

POSITION STATEMENT: Testified on HB 115 by invitation.

PAUL FUHS, representative
Alaska Long Neck Farms
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 115 by invitation.

CHRISTY COLLES, Chief of Operations
Division of Mining, Land, and Water
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Addressed questions and provided information related to HB 115.

JOE HAYES, Staff
Senator Scott Kawasaki
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced SB 44 on behalf of the sponsor.

CURTIS THAYER, Executive Director
Alaska Energy Authority (AEA)
Anchorage, Alaska

POSITION STATEMENT: Presented an overview of the Susitna-Watana Hydroelectric Project.

ACTION NARRATIVE

[3:33:51 PM](#)

CHAIR JOSHUA REVAK called the Senate Resources Standing Committee meeting to order at 3:33 p.m. Present at the call to order were Senators Micciche, Kiehl, von Imhof, and Chair Revak.

At ease 3:35-3:36

HB 115-AQUATIC FARMING & HATCHERY SITE LEASES

[3:36:55 PM](#)

CHAIR REVAK announced the consideration of HOUSE BILL NO. 115 as "An Act relating to aquatic farming and hatchery site leases; and requiring the director of the division of lands to provide the legislature with an annual report relating to aquatic farming and hatchery site leases."

[3:37:11 PM](#)

REPRESENTATIVE ANDI STORY, Alaska State Legislature, Juneau, Alaska, sponsor of HB 115, introduced the legislation paraphrasing the following sponsor statement:

[Original punctuation provided.]

House Bill 115 simplifies the Department of Natural Resources (DNR) lease renewal process for aquatic farms to support Alaska's aquaculture sector while reducing administrative overhead. Examples of aquatic farm products include oysters, kelp, and other shellfish. HB115 makes the aquatic farm lease renewal process consistent with the renewal process for other DNR leases such as agricultural grazing, cabins and lodges, fish processing docks, and hydroelectric facilities. HB 115 does not affect salmon hatchery leases.

If enacted, HB115 would expedite the lease renewal process lowering the risk for businesses investment and reducing the workload of an overstretched state agency.

Current statute requires DNR to approve both initial and renewal aquatic farm leases using the same process, called a "945 authorization" (referring to the adjudication process found in AS 38.05.945), which takes around 200 days. HB115 would allow aquatic farm

or hatchery renewals to be renewed in the same manner as most DNR leases like those listed above. This optional process allows the Director of the Division of Mining, Land and Water to renew a lease for a business in good standing and takes around 90 days. Applied to aquatic businesses, this option significantly shortens the renewal process while continuing appropriate regulatory oversight and public engagement.

HB115 also requires DNR to submit an initial report on the backlog of pending aquatic farm and hatchery site lease applications, estimate economic impacts of pending leases, and provide recommendations for streamlining the lease approval process. Subsequent annual reports would detail the application backlog and list the number of leases renewals that underwent the time-intensive lease renewal process.

This bill makes clear ecotourism and educational use of sites is allowed, and explicitly prohibits DNR from charging additional fees for persons using, or traversing, land leased for aquatic farms and hatchery sites.

I respectfully ask for your support in the passage of HB115

REPRESENTATIVE STORY advised that the House floor amendment specified that the required reports must be delivered electronically. She expressed appreciation for the efficient and cost-saving measure. She highlighted that DNR brought forward two issues after the bill passed the House, both of which are addressed in the proposed Senate committee substitute. She said her staff would present the proposed changes.

3:41:08 PM

GREG SMITH, Staff, Representative Andi Story, Alaska State Legislature, Juneau, Alaska, explained that the issues DNR brought forward have to do with the term "ecotourism" and the prohibition of fees in subsection (h). Because ecotourism is not defined in statute the plain meaning is used, and that includes "tourism directed towards exotic or threatened natural environments." The concern was that aquatic farm sites may not be considered exotic or threatened and therefore the allowance in subsection (h) would not stick.

The second change appears in the prohibition of fees section. The concern was that the previous language was too broad and would have prevented the department from charging fees for several things they currently charge for, including amendments or changes to leases, subleases, or transfers of leases. The CS narrows the prohibition on fees that the department can charge to not allowing fees for tourism enterprises or educational purposes. The sponsor understood that was the original intent when it was added in Senate Finance last year. He offered his understanding that people in the industry do not object to the proposed changes in version O.

CHAIR REVAK asked for a motion to adopt the Senate CS.

[3:43:12 PM](#)

SENATOR MICCICHE moved to adopt the work draft [Senate] CS for HB 115, work order 32-LS0299\O.

[3:43:26 PM](#)

CHAIR REVAK found no objection and the Senate committee substitute, version O, was adopted.

CHAIR REVAK announced invited testimony.

[3:43:48 PM](#)

HEATHER MCCARTY, Chair, Alaska Mariculture Task Force (AMTF), Juneau, Alaska, stated strong support for the [Senate] CS for HB 115. She said AMTF believes this legislation is an important part of the larger plan to fully develop the mariculture industry in Alaska. AMTF also believes this industry can play an important role in Alaska's economic recovery from COVID-19, and HB 115 is central to realize that potential.

MS. MCCARTY related that when the task force was created in 2016, Governor Walker appointed a wide range of stakeholders as members. In 2018 the task force completed the comprehensive Alaska Mariculture Development Plan that specifically focused on: education and outreach, science and research, marketing and processing, and regulatory and statutory changes that might be necessary to remove obstacles to the development of mariculture. Several DNR issues were identified in the process and HB 115 is the result of some of the findings in the strategic plan. By the end of 2019, the task force released a five-year action plan and that too recognized the need for both regulatory and statutory changes to remove obstacles to the development of mariculture. She highlighted that Governor Dunleavy continued the task force

when he was elected because he shares the vision of the important role mariculture could play in the state.

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MS. MCCARTY informed the committee that HB 115, including the [Senate] committee substitute, has broad stakeholder support as an important step in developing the mariculture industry. In summary, the bill will align the lease renewal process for aquatic farms and hatcheries to the renewal process for most other types of state leases. This will simplify and shorten the current process, reduce the workload on DNR staff, and provide added certainty for mariculture/aquaculture businesses. The simpler reporting requirements for DNR will allow the legislature to better track and understand the industry, and it establishes in statute that tourism and educational activities are allowed on aquatic farm and hatchery sites.

CHAIR REVAK thanked her and requested her testimony in writing.

MS. MCCARTY agreed to provide it.

3:48:45 PM

ERIC WYATT, President, Alaska Shellfish Growers Association (ASGA), Token Cove, Alaska, stated ASGA is primarily made up of oyster farms from Homer to Ketchikan. He related he was a longtime member of the Alaska Mariculture Task Force and the director of Oceans Alaska Science Center Shellfish Hatchery in Ketchikan. He has been aquatic farming for nearly 20 years, and as such has been involved in lease renewals, initial leases, and all types of lease modification.

MR. WYATT described HB 115 as a worthwhile means to responsibly improve the aquatic farming lease program. On behalf of ASGA he stated support for HB 115 and encouraged the committee to pass it.

CHAIR REVAK requested he submit his testimony in writing to sres@akleg.gov.

3:51:04 PM

PAUL FUHS, representative, Alaska Long Neck Farms, Anchorage, Alaska, stated that for the last 15 years he has been a commercial diver in the Geoduck mariculture industry, and he holds a lease site near Ketchikan. He said HB 115 is a good bill, but it would be very helpful to the Geoduck industry if it were amended to accommodate the specific nature of the biology of geoducks. He explained that this large clam grows to a

kilogram in size, reaches maturity approximately seven years after it is planted, and can sell for \$20-\$30 apiece, primarily in the Chinese markets. The issue is that once the lease is issued, DNR requires the commercial entity to sell \$15,000 worth of product a year. This is not possible in the first seven years for Geoduck farms, and in later years there are a number of reasons a Geoduck would not be harvested. Some of these reasons are the farm may have paralytic shellfish poisoning, there may be a trade war with China, and COVID-19. Fortunately, the biology of geoducks does not require annual harvesting. If a geoduck is not harvested one year, it is left in the ground to get larger. He noted these large clams live up to 150 years.

MR. FUHS said the DNR lease requirement is a major impediment to investment because failure to sell \$15,000 of product a year is grounds for lease revocation. The department has said this requirement would be selectively enforced, but that is not sufficient assurance for some investors. He said Alaska Long Neck Farms requests the committee amend HB 115 to say proof of the use of the lease is the planting of the Geoduck seed, not the arbitrary dollar amount of sales.

[3:55:11 PM](#)

MR. FUHS described a separate issue that leases can only be renewed once, and again requested the committee amend the bill as he previously described.

CHAIR REVAK asked Ms. Colles to respond to Mr. Fuhs' request for an amendment to bind the lease to planting the Geoduck seed.

[3:57:22 PM](#)

CHRISTY COLLES, Chief of Operations, Division of Mining, Land, and Water, Department of Natural Resources, Anchorage, Alaska, acknowledged the regulations were out of date and said, "It is something that we recognize needs to be addressed when we redo our regulations." She noted both that current regulations allow the department to account for factors that might cause a farmer to fail to sell their product, and that the department has not denied or revoked any leases based on the inability to meet the commercial use requirement.

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SENATOR VON IMHOF asked when the department expects to review those regulations.

MS. COLLES estimated it would be another year before the department started to work on aquatic farm regulations.

SENATOR VON IMHOF asked if the regulations address the issue of just one lease renewal.

MS. COLLES replied, HB 115 would allow renewal for an additional term without repeating the initial process that involves a best interest finding, public comment, and a decision. After that, a second decision process would be necessary.

SENATOR VON IMHOF summarized her understanding of what the bill would provide in terms of a lease renewal and that after 20 years Mr. Fuhs would need make a new application and potentially pay \$40,000. She asked if that was correct.

MS. COLLES answered no; Mr. Fuhs would not need to do the survey or appraisal unless he wanted to pursue a lease with a term longer than 10 years. The statute allows the department to issue leases for up to 55 years, but after 10 years an appraisal is required for that lease. She added, "He would have to reapply after he got another renewal; we would have to adjudicate and if he wanted to remain at a 10-year lease he would not be required to get a survey or an appraisal."

[4:01:31 PM](#)

SENATOR VON IMHOF asked if a leaseholder could be fairly confident they could get three 10-year lease renewals in a row, thereby avoiding the need for an appraisal and the other requirements.

MS. COLLES answered that is correct; the leaseholder can continue to request the lease be renewed after 10 years and they would not be required to pay the fees. Furthermore, as long as the leaseholder is not in default and the lease is found to be in the best interest of the state, the department could renew the lease for any number of terms. There is a decision process at the end of the first renewal of similar term to allow the public to comment and perhaps cause the department to decide to go in a different direction. However, she said that has not happened in the 15 years she has been in her current position.

[4:02:46 PM](#)

SENATOR VON IMHOF asked if the department allows bidding wars.

MS. COLLES answered no. There could be a competing application, but that has not happened for an aquatic farm.

[4:03:18 PM](#)

SENATOR KIEHL noted that Section 4 removes the ability for the commissioner to deny an application to renew a lease for good cause. He asked if the department retains that ability elsewhere in the statute.

MS. COLLES answered yes; the department has the ability to review the lease and case file to ensure it is in good standing, and a renewal may be denied for good cause. DNR may also choose to not renew a lease through the expedited process if there is reason to believe a full review and decision process is necessary. At the end of this process there is always the ability for the farmer or public to appeal.

[4:05:00 PM](#)

CHAIR REVAK asked Mr. Fuhs to work with the sponsor. He announced he would hold HB 115 in committee.

SB 44-PERSONAL USE FISHING PRIORITY

[4:05:11 PM](#)

CHAIR REVAK announced the consideration of SENATE BILL NO. 44 "An Act requiring the Board of Fisheries to prioritize personal use fisheries when implementing fishing restrictions to achieve a management goal."

[4:05:42 PM](#)

JOE HAYES, Staff, Senator Scott Kawasaki, Alaska State Legislature, Juneau, Alaska, introduced SB 44 reading the sponsor statement into the record:

Excluding the priority already in statute for subsistence, SB 44 directs the Board of Fisheries to place restrictions on sport and commercial fisheries before putting restrictions on personal use fisheries when the harvest is limited to achieve a management goal.

Fisheries that are restricted to residents only are intended to enable Alaskans to access their fisheries resources for their personal use and consumption. Ensuring that residents have access to these fisheries resources is vitally important as we continue to grow as a state. All Alaskans can agree that residents should be prioritized for harvest of our fisheries resources before users from elsewhere in the country and the world.

Currently, there are 41 personal use fisheries throughout the state. Harvested species include salmon, whitefish, shrimp, clams, crab, scallop, herring, smelt, abalone, sea cucumber, halibut and more. Nearly 50,000 Alaskans rely on personal use fisheries every year to put food on their family dinner table. Personal use fisheries provide food security, contribute to the economy and support the Alaskan traditions of independence, self-determination and resourcefulness.

I ask for your consideration and support of SB 44 so Alaskans can be assured that they will continue to have access to their fisheries resources to the benefit of themselves and their families.

4:08:00 PM

MR. HAYES presented the following sectional analysis for SB 44:

Section 1: Amends AS 16.05.251 to read that the Board of Fisheries will restrict all other fisheries before personal use fisheries when implementing restrictions to achieve the escapement of the number of the stock that will sustain the fishery.

MR. HAYES presented a PowerPoint on SB 44. He started by reading slides 2, 3, and 4:

Intent of SB 44

In an effort to increase food security for the state of Alaska, SB 44 ensures that all Alaskans have priority access to our state's rich abundance of nutritious seafood.

Bill Overview

Senate Bill 44 provides for the prioritization of personal use fisheries in the event of a closure ensuring a management goal is met.

Value to Alaskans

Personal use fisheries provide an extremely valuable food source to Alaskans. In 2019, 21,479 personal use permit holders caught 457,002 sockeye salmon from Cook

Inlet personal use fisheries. To buy the equivalent amount of sockeye salmon from a Fred Meyer in Fairbanks, Juneau, or Anchorage would cost an average of \$1,962.80 per permit holder. A report* from a family who dipnetted in 2019 shows that they paid \$2.64/lbs for 80.6 lbs of fillets they ate throughout the year. At a retail value of \$805.19 this is a \$592.42 cost savings on 80.6 lbs of sockeye salmon. This is a significant cost savings that helps Alaskans have easier access to high quality food.

*<https://northernexpenditure.com/dipnetting-2019-i-got-a-triple/>

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MR. HAYES directed attention to the graph on slide 5 that shows the difference between the Prince William Sound commercial harvests from 2009 through 2019 versus the Kenai dipnet harvests over the same period. He described the difference as marked.

MR. HAYES concluded the presentation stating:

SB 44 provides for a common sense measure ensuring that all Alaskans are able to have access to our state's abundance of nutrient rich seafood.

[4:11:02 PM](#)

CHAIR REVAK announced public testimony would be noticed for a later hearing. He asked the individuals waiting to testify to submit their testimony to sres@akleg.gov.

[SB 44 was held in committee.]

[4:11:53 PM](#)

At ease

PRESENTATION: Susitna-Watana Hydroelectric Project

[4:12:45 PM](#)

CHAIR REVAK reconvened the meeting and announced the committee would hear a presentation on the Susitna-Watana Hydroelectric Project.

[4:13:18 PM](#)

CURTIS THAYER, Executive Director, Alaska Energy Authority (AEA), Anchorage, Alaska, presented an overview of the Susitna-Watana Hydroelectric Project. He displayed the pie charts on

slide 2 that shows that Alaska currently receives 27 percent of its energy from hydroelectric whereas the US receives just 2 percent of its energy from hydroelectric; and Alaska receives 2 percent of its energy from renewables whereas the US receives 8 percent from renewables. He said the chart on the right shows estimates of Alaska's energy profile if Susitna-Watana were built. The caveat is that the data in the presentation is from 2014-2015 so it only provides an idea of what Alaska's energy profile could be. The goal was to have 50 percent of the energy in the state come from renewable. With the Susitna-Watana project, renewable energy would be close to 60 percent.

MR. THAYER stated that the maps on slide 3 show existing hydropower facilities in the Lower 48 and Alaska. He noted that 48 states have hydro projects. In Alaska, AEA owns the Bradley Lake Hydroelectric Project at the head of Kachemak Bay. It is the largest hydro project in the state, and it produces about 120 megawatts of power or about 10 percent of the power in the Railbelt. The Battle Creek diversion project increases the capacity to bring power to the Railbelt from Homer to Fairbanks. He noted that Fairbanks receives about 17 percent of the power coming from Bradley Lake. He noted that when complete, the Susitna-Watana dam would be one of the larger hydroelectric dams in the US.

He related that work on Susitna-Watana was put into abeyance in 2014 under Administrative Order 271. That order was rescinded in 2019 when Governor Dunleavy issued Administrative Order 309, but no funds were spent on the project in FY2020 and that continues to be the case, he said.

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MR. THAYER paraphrased the state energy policy that reads as follows:

In 2010, the Legislature unanimously passed HB 306, which set an aspirational goal to generate 50 percent of the state's electricity from renewable and alternative energy sources by 2025.

He said the pie charts on slide 7 shows that energy production from hydro and alternative sources has increased from 21.1 percent in 2011 to 29.5 percent in 2019. He described that as progress, but far from the 50 percent aspirational goal that was the hope 11 years ago.

MR. THAYER reviewed the statute that granted AEA the authority to develop the Susitna-Watana project. Slide 8 read as follows:

AS 44.83.080 POWERS OF THE AUTHORITY

- (18) to acquire a Susitna River power project, whether by construction, purchase, gift, or lease, including the acquisition of property rights and interests by eminent domain under AS 09;
- (19) to perform feasibility studies and engineering and design with respect to power projects.

MR. THAYER advised that this work was completed in the early part of the last decade, and the state spent \$93 million towards the FERC license. To the question of why Susitna-Watana, he said it is estimated to increase the supply of Railbelt energy by 50 percent; it is expected to provide long-term stable rates for well over 100 years; and the cost savings to Railbelt consumers in 2014 dollars was estimated to be \$11.2 billion over the first 50 years. An added benefit is that this project is expected to reduce carbon dioxide emissions by 1.3 million tons a year because it is displacing reliance on coal and natural gas generation. This is roughly equivalent to removing 250,000 cars from the road.

[4:18:57 PM](#)

MR. THAYER reviewed the project history depicted on slide 10. He recounted that the US Bureau of Reclamation conducted the first studies in the 1950s; the state studied the project in detail in the 1980s, but the project was shelved due to oil prices; in 2010 the state established the aspirational goal of 50 percent renewable energy by 2025; in 2011 the legislature unanimously authorized the Alaska Energy Authority to pursue the Susitna-Watana Hydroelectric Project; studies began in 2012; the license and project was put into abeyance in 2017; and the project was revived in 2019.

[4:19:38 PM](#)

MR. THAYER directed attention to the topography map on slide 11 of the Susitna River area. The lower Susitna that feeds into Cook Inlet is colored yellow, the middle Susitna is blue, and the upper Susitna is colored red. The star reflects the location of the dam where the upper Susitna meets the middle. He paraphrased the particulars of the project bulleted on slide 12, which read as follows:

PROJECT AT-A-GLANCE

- Dam Height - 705 feet
- Dam Elevation - 2,065 Feet
- Reservoir Length - ~42 miles
- Reservoir Width - ~1.25 miles
- Installed Capacity - 618 MW
- Annual Energy - 2,800,000 MWh
- Cost - ~\$5.6 billion (2014\$)

MR. THAYER noted the utilities' estimated Railbelt energy needs in 2014 was 400-450 MW. The hope in 2014 was that the excess capacity and low cost of energy would attract new business to the region. He recounted that the current cost of energy from Bradley Lake is about \$0.04 to \$0.045 per kilowatt and natural gas in Cook Inlet is \$0.07 to \$0.09 per kilowatt. He acknowledged that the 2014 cost estimate for Susitna of \$0.06 to \$0.065 per kilowatt and the overall cost estimate for the project needed to be updated in order to move the project forward. He pointed out that technology advances may make the project less expensive and financing costs are less expensive than in 2014.

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MR. THAYER reviewed the engineering for the Susitna-Watana project outlined on slide 13 that read as follows:

ENGINEERING

- Size and generation optimized
- Design reviewed by International Board of Consultants
- Designed to withstand:
 - 10,000-year flood
 - Maximum credible earthquake of a magnitude 8.0
- 2014 Engineering Feasibility Report

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MR. THAYER briefly touched on the economics of the project outlined on slide 13 that read as follows:

ECONOMICS

- Benefit-Cost and Economic Impact Analyses completed in 2015
- Based on 2014 projection of natural gas prices:

- Benefit-cost ratio of 2.39 from energy savings alone
- \$11.2 billion (2014\$) in energy savings over first 50 years
- \$4.7 billion (2014\$) in capital and O&M costs over first 50 years

MR. THAYER discussed the employment opportunities. He said the 2014 estimate was for more than 32,000 direct and indirect jobs running from preconstruction employment through construction to operation of the plant. Most of the employment will be during the 9-11 year construction phase.

MR. THAYER paraphrased the licensing status on slide 16 that read as follows:

LICENSING STATUS

- Integrated Licensing Process
- 2/3 of the way done
- 58 FERC-approved studies:
 - Implemented 2012-2017
 - 19 studies completed
 - 39 significant progress made
- Initial Study Report filed with FERC

He said AEA estimated it would cost in the neighborhood of \$100 million to complete the FERC application; about one-third more time and money is needed for completion.

MR. THAYER highlighted the following points of the FERC study:

FERC STUDY PLAN DETERMINATION OUTCOME

• Confirmed adequacy of environmental studies	• Confirmed data gathered thus far is representative of baselines
• Validated quality of work completed to date	• Rejected requests for additional studies
• Rejected nearly all study modification requests	• Licensing activity currently in abeyance
• Rejected requests for additional years of study	

MR. THAYER said the outcome of the FERC study provides a way to look towards what needs to be completed in the future.

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CHAIR REVAK summarized that the licensing process was two-thirds complete and the state had spent about \$200 million on the license to date, and the expectation was it could cost another \$100 million to complete. He asked what it means to have the FERC license.

MR. THAYER agreed with the summary and described the FERC license as the federal stamp of approval to move ahead to look for investors and start construction on the dam.

CHAIR REVAK observed that the license would represent something of value to the state but lacking that approval, the state has \$200 million in sunk costs.

MR. THAYER answered that is correct, but the license has value. Somebody could buy the license, or it could be leveraged through a public/private partnership to reduce the cost of the dam for the consumer. Financing is fairly cheap right now and there is interest by multiple parties in financing a FERC licensed project and earning a 4-6 percent return for the next 50 years. He related that AEA anticipates that it would take two years to get a FERC license once the studies are completed. The next step would be the project execution phase. The expectation is that construction would take 9-11 years before the dam was operational. In total, he estimated it would take about 15 years.

[4:28:12 PM](#)

CHAIR REVAK asked if he said the estimated cost per kilowatt was \$0.06.

MR. THAYER confirmed the estimate is \$0.06 to \$0.065 per kilowatt. He reiterated that the cost of energy from Bradley Lake is \$0.04 to \$0.045 per kilowatt and power generation on the Railbelt from natural gas is about \$0.7 to \$0.09 per kilowatt.

CHAIR REVAK asked if the cost per kilowatt would decrease over time after the loan is paid off.

CHAIR REVAK replied it would be more accurate to say the price won't increase, which is different than for natural gas generation that continues to increase.

SENATOR KIEHL offered his understanding that the private developer that wants to build a hydroelectric project in his district paid the costs of the FERC license. He asked why the state is paying the cost of the FERC license for the Susitna-Watana project if there are interested private partners.

MR. THAYER replied it was a policy call by the legislature and the governor in 2014-2015 to pursue the FERC license. He acknowledged that this legislature and governor could make a different policy call on how to move forward. He noted that the dam Senator Kiehl mentioned is for 19 megawatts, whereas Susitna-Watana is 600 megawatts.

[4:31:20 PM](#)

SENATOR KIEHL asked if the 2014 estimate of \$5.6 billion is the total cost of the project or just the cost to construct the dam.

MR. THAYER answered it is the estimated cost to construct just the dam, but whether Susitna-Watana is built or not, the transmission lines need to be upgraded. The utilities are working cooperatively to do those upgrades. He noted that Bradley Lake has similar constraints; it is a 120 megawatt plant and the transmission lines to it are 75 megawatts.

SENATOR KIEHL suggested the committee look a little deeper into those costs because they could be surprising for either the state or an independent producer.

CHAIR REVAK asked Mr. Thayer if there were any cost estimates for transmission.

[4:33:23 PM](#)

MR. THAYER answered the approximate cost of all the upgrades to the transmission lines is \$900 million to \$1 billion.

[4:33:37 PM](#)

SENATOR VON IMHOF commented that while the Biden administration is excited about alternative energy projects, the federal bureaucracy of permitting and FERC licensing is still an extremely slow process. She asked what his experience has been the last several years, particularly the last several months, with the federal permitting processes.

MR. THAYER answered that federal legislation passed several years ago that intended to streamline and shorten the deadlines in the FERC process and lengthen the time a license may be held before a project is built. He acknowledged that AEA had not had the opportunity to test whether or not the new process was more efficient, but that was the intent.

CHAIR REVAK asked him to finish the presentation.

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MR. THAYER paraphrased slide 19 that read as follows:

GOVERNOR AND LEGISLATURE DECIDE NEXT STEPS

If greenlighted...

- Determine licensing status
- Update cost estimate to obtain license
- Update benefit-cost and economic impact analyses
- Review data to assure it remains reflective of current conditions
- Consult with FERC, landowners, and other stakeholders

He related that the utilities, all of which have mandated a reduction in carbon footprint, are interested in pursuing Susitna-Watana. This one project would achieve all the utilities' mandates regarding renewable energy. He clarified that this would be a staged gate approach, and many things need to be done before AEA could make a final decision and recommendation to the governor and legislature about the next step.

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CHAIR REVAK asked if the administration or anybody in AEA was looking into the tasks bulleted on slide 19.

MR. THAYER answered the tasks fall to AEA to perform but the policy of whether or not to move forward rests with the governor and the legislature.

[4:39:15 PM](#)

SENATOR VON IMHOF asked if AEA needed the policy or the \$100 million.

MR. THAYER answered both.

SENATOR MICCICHE mentioned both the Biden and Dunleavy administrations and asked who needed to be on point to get the project moving again.

MR. THAYER answered Governor Dunleavy took the project out of abeyance, and AEA has had discussions about Susitna-Watana with both the congressional delegation and the Biden administration. They champion the project but the first step is for the governor and legislature to set the policy.

CHAIR REVAK mused about where the state would be in terms of energy production and cost if it had built the project 50 years ago. He thanked Mr. Thayer for the presentation.

[4:43:26 PM](#)

There being no further business to come before the committee, Chair Revak adjourned the Senate Resources Standing Committee meeting at 4:43 p.m.